

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 6294**

**BILL NUMBER:** SB 18

**NOTE PREPARED:** Nov 19, 2007

**BILL AMENDED:**

**SUBJECT:** Limitations on Debt.

**FIRST AUTHOR:** Sen. Dillon

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** *Bond Refinancing:* With respect to bonds payable from property taxes, special benefit taxes, or tax increment revenues, the bill prohibits a local issuing body from: (1) issuing refunding bonds that have a repayment date that is beyond the maximum term of the bonds being refunded; (2) issuing refunding bonds unless the issuing body will realize a savings; or (3) using savings resulting from refunding bonds or surplus proceeds for any purpose other than to repay bonds or reduce levies.

*Bond Payments:* The bill requires the local issuing body to pay interest and principal on bonds on a schedule that provides for substantially equal installment amounts and regular payment intervals except when: (1) interest for a particular period has been paid from bond proceeds; or (2) the local issuing body determines that an irregular payment schedule is needed so that total payments on all bonds issued by the local issuing body will remain substantially equal.

*Bond Interest:* The bill limits to two years the period for which interest on bonds issued by the state or a local issuing body may be paid from bond proceeds.

*Bond Term:* It limits the maximum term of bonds issued by the state or a local issuing body to 30 years.

*County Board of Tax and Capital Projects Review:* The bill provides that a capital project that will cost an amount that is at least equal to 0.5% of the total taxable property within the political subdivision is subject to review by a County Board of Tax and Capital Projects Review even if the cost of the project is less than \$7,000,000.

**Effective Date:** July 1, 2008.

**Explanation of State Expenditures:** *Bond Interest:* The bill would reduce the interest cost of a project. Currently, bond proceeds are used to pay interest on the bonds during construction and until the revenue source to repay the bond becomes available.

*Bond Term:* It is unknown the number of state bonds currently longer than 30 years. The fiscal impact would probably be minor.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** *Bond Refinancing:* The impact would depend on the number of bonds refinanced. The bill would result in a net saving for bonds being refinanced.

*Bond Payments:* The bill would more accurately reflect the fiscal impact of a bond issuance. The fiscal impact is unknown. The total cost of a bond increases if principal payments are deferred and decreases if the principal is paid earlier.

*Bond Interest:* The bill would reduce the interest costs of a project. Currently, bond proceeds are used to pay interest on the bonds during construction and until the revenue source to repay the bond becomes available.

*Bond Term:* It is unknown the number of local bonds with terms longer than 30 years. The fiscal impact would probably be minor. The longer the term of the bond, the lower the annual payments but the cost of interest is increased.

*County Board of Tax and Capital Projects Review:* Currently, a unit's capital project is required to be reviewed by the County Board of Tax and Capital Projects Review if the project is a controlled project more than \$7 M. The bill would require review of projects more than the lesser of \$7 M or 0.5% of the unit's AV to be reviewed. There are about 2,773 local units. The bill would reduce the threshold for about 499 of the tax units. The impact would depend on changes made to projects that don't currently require review but would require review under the bill.

**Background:** A notice of the intent to issue bonds or enter into a lease must include the following information:

1. The maximum term of the bonds or lease.
2. The maximum principal amount of the bonds or the maximum lease rental for the lease.
3. The estimated interest rates that will be paid and the total interest costs associated with the bonds or lease.
4. The purpose of the bonds or lease.
5. A statement that any owners of real property within the political subdivision or registered voters residing within the political subdivision who want to initiate a petition and remonstrance process against the proposed debt service or lease payments must file a petition not later than 30 days after publication.
6. With respect to bonds issued or a lease entered into to open:
  - a. a new school facility; or
  - b. an existing facility that has not been used for at least three (3) years and that is being reopened to provide additional classroom space;
  - c. the estimated costs the school corporation expects to incur annually to operate the facility.

**Explanation of Local Revenues:**

**State Agencies Affected:** All.

**Local Agencies Affected:** All.

**Information Sources:**

**Fiscal Analyst:** Chuck Mayfield, 317-232-4825.